

**Tennessee Technological University  
Dormitory Corporation**

**For the Year Ended June 30, 1999**

***Arthur A. Hayes, Jr., CPA, JD, CFE***  
Director

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Staff Auditors

***Erica V. Smith, CPA***  
Technical Analyst

***Amy Brack***  
Editor

February 15, 2000

The Honorable Don Sundquist, Governor  
and

Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243

and

The Honorable Charles E. Smith, Chancellor  
Tennessee Board of Regents  
1415 Murfreesboro Road, Suite 350  
Nashville, Tennessee 37217

and

Mr. Ed Hooper, President  
Tennessee Technological University Dormitory Corporation  
59 North Jefferson Street  
Cookeville, Tennessee 38501

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Technological University Dormitory Corporation for the year ended June 30, 1999. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting and tests of compliance resulted in no audit findings.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/mb  
00/021

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Tennessee Technological University Dormitory Corporation**  
For the Year Ended June 30, 1999

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## AUDIT OBJECTIVES

The objectives of the audit were to consider the corporation's internal control over financial reporting; to determine compliance with certain provisions of laws and regulations; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

## AUDIT FINDINGS

The audit report contains no findings.

## OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

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"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 741-3697

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**Audit Report**  
**Tennessee Technological University Dormitory Corporation**  
**For the Year Ended June 30, 1999**

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**TABLE OF CONTENTS**

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	<u>Exhibit</u>	<u>Schedule</u>	<u>Page</u>
<b>INTRODUCTION</b>			1
Post-Audit Authority			1
Background and Organization			1
<b>AUDIT SCOPE</b>			1
<b>OBJECTIVES OF THE AUDIT</b>			2
<b>PRIOR AUDIT FINDINGS</b>			2
<b>RESULTS OF THE AUDIT</b>			2
Audit Conclusions			2
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>			4
<b>FINANCIAL SECTION</b>			
Independent Auditor's Report			6
Financial Statements			
Balance Sheets	A		8
Statement of Changes in Fund Balances for the Year Ended June 30, 1999	B		9
Statement of Changes in Fund Balances for the Year Ended June 30, 1998	C		10
Statements of Current Funds Revenues, Expenditures, and Other Changes	D		11

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## TABLE OF CONTENTS (CONT.)

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	<u>Exhibit</u>	<u>Schedule</u>	<u>Page</u>
Notes to the Financial Statements			12
Required Supplementary Information			
Year 2000 Disclosures			17
Other Supplementary Information			
Schedule of Changes in Reserve Balance		1	19
Schedule of Revenues and Expenditures by Bond Issue		2	20
Schedule of Debt Service Statistics		3	21

# **Tennessee Technological University Dormitory Corporation**

## **For the Year Ended June 30, 1999**

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### **INTRODUCTION**

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#### **POST-AUDIT AUTHORITY**

This is a report on the financial and compliance audit of the Tennessee Technological University Dormitory Corporation. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any state governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

#### **BACKGROUND AND ORGANIZATION**

The Tennessee Technological University Dormitory Corporation was chartered as a general welfare, nonprofit corporation on February 23, 1966. The purpose of the corporation is to borrow the necessary funds to finance the construction of, and to maintain and operate, student apartment and dormitory housing for the university. Upon dissolution of the corporation, all the corporation’s assets remaining after the payment of all its liabilities are to be transferred to the university without further consideration.

A meeting of the five-member board of directors of the Tennessee Technological University Dormitory Corporation was held on July 14, 1966, to adopt a bond resolution authorizing the issuance of dormitory revenue bonds of \$3,425,000. First Tennessee Bank was named as trustee. At a similar meeting on May 12, 1967, the board of directors adopted a resolution authorizing the issuance of \$2,900,000 in dormitory revenue bonds and named Union Planters National Bank of Memphis as trustee.

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### **AUDIT SCOPE**

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The audit was limited to the period July 1, 1998, through June 30, 1999, and was conducted in accordance with generally accepted government auditing standards. Financial

statements are presented for the year ended June 30, 1999, and for comparative purposes, the year ended June 30, 1998. The Tennessee Technological University Dormitory Corporation is a blended component unit of Tennessee Technological University.

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## **OBJECTIVES OF THE AUDIT**

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The objectives of the audit were

1. to consider the corporation's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
2. to determine compliance with certain provisions of laws and regulations;
3. to determine the fairness of the presentation of the financial statements; and
4. to recommend appropriate actions to correct any deficiencies.

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## **PRIOR AUDIT FINDINGS**

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There were no findings in the prior audit report.

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## **RESULTS OF THE AUDIT**

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### **AUDIT CONCLUSIONS**

#### Internal Control

As part of the audit of the corporation's financial statements for the year ended June 30, 1999, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted government auditing standards. Consideration of internal control over financial reporting disclosed no material weaknesses.



### Compliance

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the corporation's financial statements.

**Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of  
Financial Statements Performed in Accordance With  
*Government Auditing Standards***

November 3, 1999

The Honorable John G. Morgan  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the financial statements of the Tennessee Technological University Dormitory Corporation, a blended component unit of Tennessee Technological University, as of and for the year ended June 30, 1999, and have issued our report thereon dated November 3, 1999. We conducted our audit in accordance with generally accepted government auditing standards.

Compliance

As part of obtaining reasonable assurance about whether the corporation's financial statements are free of material misstatement, we performed tests of the corporation's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control

The Honorable John G. Morgan  
November 3, 1999  
Page Two

over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted certain matters involving the internal control over financial reporting, which we have reported to the corporation's management in a separate letter.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/mb

## **Independent Auditor's Report**

November 3, 1999

The Honorable John G. Morgan  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the accompanying balance sheets of the Tennessee Technological University Dormitory Corporation, a blended component unit of Tennessee Technological University, as of June 30, 1999, and June 30, 1998, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the years then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Technological University Dormitory Corporation as of June 30, 1999, and June 30, 1998, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the years then ended in conformity with generally accepted accounting principles.

The Honorable John G. Morgan  
November 3, 1999  
Page Two

The Year 2000 Disclosures on page 17 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the corporation is or will become year 2000 compliant, that the corporation's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the corporation does business are or will become year 2000 compliant.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information on pages 19 through 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 1999, on our consideration of the corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/mb

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION  
BALANCE SHEETS  
JUNE 30, 1999, AND JUNE 30, 1998

	<u>June 30, 1999</u>	<u>June 30, 1998</u>		<u>June 30, 1999</u>	<u>June 30, 1998</u>
<u>ASSETS</u>			<u>LIABILITIES AND FUND BALANCES</u>		
Plant funds:			Plant funds:		
Retirement of indebtedness:			Retirement of indebtedness:		
Deposits with trustees (Note 2)	\$ <u>525,103.95</u>	\$ <u>518,044.46</u>	Liabilities:		
			Accrued interest payable	\$ <u>12,792.00</u>	\$ <u>15,152.00</u>
			Fund balances:		
			Restricted	354,300.00	354,300.00
			Unrestricted	<u>158,011.95</u>	<u>148,592.46</u>
			Total fund balances	<u>512,311.95</u>	<u>502,892.46</u>
Total retirement of indebtedness	<u>525,103.95</u>	<u>518,044.46</u>	Total retirement of indebtedness	<u>525,103.95</u>	<u>518,044.46</u>
Investment in plant:			Investment in plant:		
Loan receivable from the university	17,687.26	-	Liabilities:		
Buildings	<u>6,903,088.68</u>	<u>6,888,005.68</u>	Loan payable to the university	-	215,646.55
			Bonds payable (Note 3)	<u>1,467,000.00</u>	<u>1,745,000.00</u>
			Total liabilities	<u>1,467,000.00</u>	<u>1,960,646.55</u>
			Fund balance:		
			Net investment in plant	<u>5,453,775.94</u>	<u>4,927,359.13</u>
Total investment in plant	<u>6,920,775.94</u>	<u>6,888,005.68</u>	Total investment in plant	<u>6,920,775.94</u>	<u>6,888,005.68</u>
Total plant funds	\$ <u>7,445,879.89</u>	\$ <u>7,406,050.14</u>	Total plant funds	\$ <u>7,445,879.89</u>	\$ <u>7,406,050.14</u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 1999

	Current Funds	Plant Funds			
	Unrestricted	Unexpended Plant	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
<u>REVENUES AND OTHER ADDITIONS</u>					
Dormitory rentals	\$ 1,729,775.99	\$ -	\$ -	\$ -	\$ -
Apartment rentals	528,752.63	-	-	-	-
Special and clinic revenues	52,878.17	-	-	-	-
Investment income	-	-	-	24,283.19	-
Private gifts, grants, and contracts	-	-	-	-	15,083.00
Retirement of indebtedness	-	-	-	-	278,000.00
Decrease in loan payable	-	-	-	-	233,333.81
Other	16,551.68	-	-	-	-
Total revenues and other additions	2,327,958.47	-	-	24,283.19	526,416.81
<u>EXPENDITURES AND OTHER DEDUCTIONS</u>					
Administrative	128,056.92	-	-	-	-
Maintenance	505,357.43	-	-	-	-
Telephone	191,172.11	-	-	-	-
Counselor fees	78,555.35	-	-	-	-
Plant costs	385,264.11	-	-	-	-
General	209,230.92	-	-	-	-
Conferences	5,669.79	-	-	-	-
Transfer to the university	223,914.32	-	-	-	-
Expended for noncapital items	-	9,119.09	229,255.89	-	-
Retirement of indebtedness	-	-	-	278,000.00	-
Interest on indebtedness	-	-	-	84,497.50	-
Debt service agent fees	-	-	-	12,431.79	-
Other	2,296.95	-	-	-	-
Total expenditures and other deductions	1,729,517.90	9,119.09	229,255.89	374,929.29	-
<u>TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)</u>					
Mandatory:					
Unexpended plant	(9,119.09)	9,119.09	-	-	-
Renewals and replacements	(229,255.89)	-	229,255.89	-	-
Principal and interest	(360,065.59)	-	-	360,065.59	-
Total transfers	(598,440.57)	9,119.09	229,255.89	360,065.59	-
Net increases for the year	-	-	-	9,419.49	526,416.81
Fund balances at beginning of year	-	-	-	502,892.46	4,927,359.13
Fund balances at end of year	\$ -	\$ -	\$ -	\$ 512,311.95	\$ 5,453,775.94

The notes to the financial statements are an integral part of this statement.

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 1998

	Current Funds		Plant Funds			
		Unrestricted		Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
<u>REVENUES AND OTHER ADDITIONS</u>						
Dormitory rentals	\$	1,321,295.37	\$	-	\$	-
Apartment rentals		514,806.79		-	-	-
Special and clinic revenues		63,800.47		-	-	-
Investment income		-		-	24,662.62	-
Retirement of indebtedness		-		-	-	267,000.00
Decrease in loan payable		-		-	-	184,266.66
Other		15,598.10		-	-	-
Total revenues and other additions		1,915,500.73		-	24,662.62	451,266.66
<u>EXPENDITURES AND OTHER DEDUCTIONS</u>						
Administrative		87,390.62		-	-	-
Maintenance		382,112.90		-	-	-
Telephone		142,794.72		-	-	-
Counselor fees		54,889.48		-	-	-
Plant costs		299,139.83		-	-	-
General		196,615.91		-	-	-
Conferences		7,447.15		-	-	-
Transfer to the university		179,244.26		-	-	-
Expended for noncapital items		-		208,704.36	-	-
Retirement of indebtedness		-		-	267,000.00	-
Interest on indebtedness		-		-	98,597.00	-
Debt service agent fees		-		-	10,467.92	-
Other		736.83		-	-	-
Total expenditures and other deductions		1,350,371.70		208,704.36	376,064.92	-
<u>TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)</u>						
Mandatory:						
Renewals and replacements		(208,704.36)		208,704.36	-	-
Principal and interest		(356,424.67)		-	356,424.67	-
Total transfers		(565,129.03)		208,704.36	356,424.67	-
Net increases for the year		-		-	5,022.37	451,266.66
Fund balances at beginning of year		-		-	497,870.09	4,476,092.47
Fund balances at end of year	\$	-	\$	-	502,892.46	4,927,359.13

The notes to the financial statements are an integral part of this statement.



TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION  
STATEMENTS OF CURRENT FUNDS REVENUES, EXPENDITURES,  
AND OTHER CHANGES  
FOR THE YEARS ENDED JUNE 30, 1999, AND JUNE 30, 1998

	Unrestricted	
	Year Ended June 30, 1999	Year Ended June 30, 1998
<u>REVENUES</u>		
Dormitory rentals	\$ 1,729,775.99	\$ 1,321,295.37
Apartment rentals	528,752.63	514,806.79
Special and clinic revenues	52,878.17	63,800.47
Other	16,551.68	15,598.10
Total current revenues	2,327,958.47	1,915,500.73
<u>EXPENDITURES AND TRANSFERS</u>		
Expenditures:		
Administrative	128,056.92	87,390.62
Maintenance	505,357.43	382,112.90
Telephone	191,172.11	142,794.72
Counselor fees	78,555.35	54,889.48
Plant costs	385,264.11	299,139.83
General	209,230.92	196,615.91
Conferences	5,669.79	7,447.15
Other	2,296.95	736.83
Total expenditures	1,505,603.58	1,171,127.44
Mandatory transfers for:		
Unexpended plant	9,119.09	-
Renewals and replacements	229,255.89	208,704.36
Principal and interest	360,065.59	356,424.67
Total expenditures and transfers	2,104,044.15	1,736,256.47
<u>OTHER DEDUCTION</u>		
Transfer to the university	(223,914.32)	(179,244.26)
Net increase (decrease) in fund balances	\$ -	\$ -

The notes to the financial statements are an integral part of this statement.

**Tennessee Technological University Dormitory Corporation**  
**Notes to the Financial Statements**  
**June 30, 1999, and June 30, 1998**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Tennessee Technological University Dormitory Corporation was chartered as a body corporate and politic; it is a general welfare corporation whose purpose is to borrow the necessary funds to finance the construction of, and to maintain and operate, student apartment and dormitory housing for the university.

The corporation is a blended component unit of Tennessee Technological University. Although it is legally separate from the university, in the university's financial statements the corporation is reported as if it were part of the university. Because of the nature and significance of its relationship with the university, the exclusion of the corporation from the university's reporting entity would render the university's financial statements incomplete. The assets and liabilities of the corporation are included in the plant funds on the university's balance sheet. Revenues and expenditures of the corporation are also included in the university's financial statements. The excess of expenditures over revenues is recorded as an increase to accounts receivable by the university, and the excess of revenues over expenditures is recorded as a decrease to accounts receivable. Upon dissolution of the corporation, all the corporation's assets remaining after payment of all its liabilities are to be transferred to the university without further consideration.

**Basis of Presentation**

The financial statements of the corporation have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The corporation uses the AICPA College Guide model for accounting and financial reporting.

**Basis of Accounting**

The financial statements of the corporation have been prepared on the accrual basis, except that depreciation on buildings is not recorded and revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the term is predominantly conducted. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not pur-

**Tennessee Technological University Dormitory Corporation**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1999, and June 30, 1998**

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port to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the funds are accounted for as mandatory transfers for unexpended plant, renewal and replacement, and required debt amortization and interest.

**Fund Accounting**

To ensure observance of limitations and restrictions placed on the use of the resources available, the corporation maintains accounts in accordance with the principles of fund accounting. With this procedure, resources for various purposes are classified for accounting and reporting purposes into funds for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds with similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds, which are allocated to specific purposes by the governing board. Externally restricted funds may be used only in accordance with the purposes established by the source of such funds and contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

Ordinary income derived from investments is accounted for in the fund owning such assets. All unrestricted revenue is accounted for in the unrestricted current funds.

Current Funds

Unrestricted current funds consist of those funds over which the corporation retains full control for use in achieving any of its authorized corporate purposes.

Plant Funds

The plant funds group consists of (1) funds set aside for the acquisition of physical properties for corporate purposes; (2) funds set aside for the renewal and replacement of corporate properties; (3) funds set aside for debt service charges and for the

**Tennessee Technological University Dormitory Corporation**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1999, and June 30, 1998**

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retirement of the indebtedness on corporate properties; and (4) funds expended for, and thus invested in, corporate properties.

**Plant Assets**

Buildings are stated at cost; depreciation is not recorded.

**Loan Receivable from the University**

The loan receivable is the amount of funds paid to the university's general housing operations by the corporation. This cumulative amount reflects the net gain of the corporation for the period from the inception of the corporation through June 30, 1999. The gain takes into account the expenditures for unexpended plant, renewals and replacements, and debt service.

**Loan Payable to the University**

The loan payable is the amount of funds paid from the university's general housing operations on behalf of the corporation. This cumulative amount reflects the net loss of the corporation for the period from the inception of the corporation through June 30, 1998. The loss takes into account the expenditures for unexpended plant, renewals and replacements, and debt service.

**NOTE 2. DEPOSITS WITH TRUSTEES**

Reserves at First Tennessee Bank and Union Planters National Bank have been maintained at a level equal to or higher than that required by the various bond resolutions. In May 1999, the accounts at Union Planters National Bank were sold to the Bank of New York Trust. All investments permitted to be reported at fair value under GASB Statement 31 are reported at fair value. At June 30, 1999, the reserves consisted of mutual funds with a fair value of \$525,103.95. At June 30, 1998, the reserves consisted of \$17.59 in cash and mutual funds with a fair value of \$518,026.87. Mutual funds are not susceptible to credit risk categorization.

The bank balances of deposits as of the balance sheet dates were entirely insured.

**Tennessee Technological University Dormitory Corporation**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1999, and June 30, 1998**

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**NOTE 3. BONDS PAYABLE**

Bond issues, with interest rates ranging from 4.5% to 5.0%, are due serially to 2005 and are secured by pledges of the facilities' revenues to which they relate. The corporation's debt service requirements to maturity for bonds payable at June 30, 1999, are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 292,000.00	\$ 82,617.50	\$ 374,617.50
2001	303,000.00	67,400.00	370,400.00
2002	321,000.00	51,425.00	372,425.00
2003	315,000.00	28,052.50	343,052.50
2004	156,000.00	15,280.00	171,280.00
2005	<u>80,000.00</u>	<u>5,800.00</u>	<u>85,800.00</u>
	<u>\$1,467,000.00</u>	<u>\$250,575.00</u>	<u>\$1,717,575.00</u>

**NOTE 4. TRANSMITTAL OF REVENUE**

Revenue has been transmitted to the proper trust officer of each bond issue in accordance with the applicable bond resolution and memorandum of agreement between the university, the corporation, and the various trust officers involved with the bond issues.

**NOTE 5. EXPENDITURES**

The maintenance of the married student apartments and residence halls is in keeping with the stipulations in the various bond resolutions.

**NOTE 6. INSURANCE-RELATED ACTIVITIES**

The state purchases commercial insurance for real property losses above \$5 million per year and surety bond coverage on the state's officials and employees. During the year ended June 30, 1999, the state incurred losses in Clarksville and Jackson due to

**Tennessee Technological University Dormitory Corporation**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1999, and June 30, 1998**

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damage from tornadoes. Final settlement has not been made but is expected to be approximately \$6 million. In the prior two fiscal years, the state had not had any claims filed with the commercial insurer. A designation for casualty losses in the amount of \$8.219 million has been established in the state's general fund to provide for any property losses not covered by the commercial insurance.

At June 30, 1999, the scheduled coverage for the corporation was \$27,186,900 for buildings and \$1,381,000 for contents. At June 30, 1998, the scheduled coverage was \$25,907,000 for buildings and \$1,267,400 for contents.

The corporation has a business interruption insurance policy issued by the Continental National American Group, which provides \$530,000 of coverage. In the past three fiscal years, the corporation has not had any claims filed with the commercial insurer.

The state has set aside assets for claim settlement in an internal service fund, the Claims Award Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automobile liability, professional malpractice, and workers' compensation. The corporation participates in the Claims Award Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the corporation based on a percentage of the corporation's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Since the corporation participates in the Claims Award Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the corporation for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Claims Award Fund.

**Tennessee Technological University Dormitory Corporation**  
**Required Supplementary Information**  
**Year 2000 Disclosures**

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The Year 2000 Issue (Y2K) arises because most computer software programs allocate two digits to the data field for year on the assumption that the first digits will be 19. Such programs will thus interpret the year 2000 as the year 1900, the year 2001 as 1901, etc., absent reprogramming. Y2K affects both computer hardware (i.e., the embedded logic of computer chips) and computer software, and could impact the ability to enter data into computer programs and the ability of such programs to correctly process data.

As stated in Note 1 to the financial statements, the corporation is a blended component unit of Tennessee Technological University. The corporation relies on the university for computer processing. The university has established a Y2K Coordinator to facilitate Y2K remediation efforts. The university has assessed the impact of Y2K on its computer systems and other electronic equipment as of June 30, 1999. Computer systems are defined as both (1) programmed application systems that provide fiscal and administrative services and (2) supporting hardware and software computer systems infrastructure upon which the application systems reside and are processed. Other electronic equipment includes systems and devices other than traditional computer information systems that may utilize embedded chips in their operations.

The university has determined that certain computer systems are critical and certain are supportive. Critical computer systems are those for which there are manual alternatives, but the university would unlikely be able to fully or efficiently perform the functions manually because of the volume of manual activity that would be required. Supportive computer systems are those for which there are manual alternatives and the university expects to be able to perform such functions manually, if necessary.

The university has identified three critical computer application systems: the Financial Records System (FRS), the Human Resource System (HRS), and the Student Information System (SIS). All three have completed the validation/testing stage. This stage is defined as validating and testing the changes that were made during the remediation stage.

The university's mid-level computer system provides the supporting computer systems infrastructure upon which the application systems reside and are processed. The mid-level system represents multiple hardware and software components to include a central processor, workstations, and a network operating system. The university determined that these components have completed the validation/testing stage.

The university identified other electronic equipment items as critical to conducting operations. The university determined that these systems have completed the validation/testing stage.

**Tennessee Technological University Dormitory Corporation**  
**Required Supplementary Information**  
**Year 2000 Disclosures (Cont.)**

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The completion of all stages identified as necessary to address the Y2K issue is not a guarantee that systems and equipment will be year 2000 compliant.

The university's Y2K initiatives did not result in the commitment of significant financial resources as of the end of the university's reporting period. The university is not aware of any circumstances or costs to achieve Y2K compliance that will have a negative impact on the operations or financial status of the university.



TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION  
 SCHEDULE OF CHANGES IN RESERVE BALANCE  
 FOR THE YEAR ENDED JUNE 30, 1999

	<u>6-8-150 Apartments</u>	<u>Women's Residence Halls</u>	<u>Total</u>
Balance, July 1	\$ 356,341.35	\$ 161,703.11	\$ 518,044.46
Additions:			
Principal and interest transfers	189,176.35	170,889.24	360,065.59
Investment income	<u>15,903.39</u>	<u>8,379.80</u>	<u>24,283.19</u>
Total available	<u>561,421.09</u>	<u>340,972.15</u>	<u>902,393.24</u>
Deductions:			
Retirement of indebtedness	155,000.00	123,000.00	278,000.00
Interest payments	34,087.50	52,770.00	86,857.50
Debt service agent fees	<u>8,592.09</u>	<u>3,839.70</u>	<u>12,431.79</u>
Total deductions	<u>197,679.59</u>	<u>179,609.70</u>	<u>377,289.29</u>
Balance, June 30	<u><u>\$ 363,741.50</u></u>	<u><u>\$ 161,362.45</u></u>	<u><u>\$ 525,103.95</u></u>

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION  
SCHEDULE OF REVENUES AND EXPENDITURES BY BOND ISSUE  
FOR THE YEAR ENDED JUNE 30, 1999

	<u>6-8-150 Apartments</u>	<u>7-50 Apartments</u>	<u>Women's Residence Halls</u>	<u>Total</u>
University building name	Browning, Cooper, Dunn, Evins, and Married Student Apartments	Ellington, Warf, and Married Student Apartments	Murphy and Jobe	
Rated capacity (fall semester)	739	303	320	
Occupancy - academic year	1387	567	474	
Percent occupied	93.84%	93.56%	74.06%	
Trustee	First Tennessee Bank	Union Planters National Bank	Union Planters National Bank	
Revenues:				
Dormitory rentals	\$ 925,435.89	\$ 398,583.08	\$ 405,757.02	\$ 1,729,775.99
Apartment rentals	406,302.46	122,450.17	-	528,752.63
Special and clinic revenues	27,283.05	24,198.74	1,396.38	52,878.17
Investment income	15,903.39	-	8,379.80	24,283.19
Other	9,891.14	3,904.83	2,755.71	16,551.68
Total revenues	<u>1,384,815.93</u>	<u>549,136.82</u>	<u>418,288.91</u>	<u>2,352,241.66</u>
Expenditures:				
Administrative	79,922.21	30,095.35	18,039.36	128,056.92
Maintenance	280,776.26	119,556.83	105,024.34	505,357.43
Telephone	106,400.14	42,830.44	41,941.53	191,172.11
Counselor fees	41,988.35	18,622.33	17,944.67	78,555.35
Plant costs	228,658.14	90,812.04	65,793.93	385,264.11
General	112,677.43	49,581.08	46,972.41	209,230.92
Conferences	2,925.39	2,594.68	149.72	5,669.79
Expended for noncapital items	81,993.62	42,542.35	113,839.01	238,374.98
Interest on indebtedness	32,940.50	-	51,557.00	84,497.50
Debt service agent fees	8,592.09	-	3,839.70	12,431.79
Other	1,227.74	544.51	524.70	2,296.95
Total expenditures	<u>978,101.87</u>	<u>397,179.61</u>	<u>465,626.37</u>	<u>1,840,907.85</u>
Net increase (decrease) for the year	\$ <u>406,714.06</u>	\$ <u>151,957.21</u>	\$ <u>(47,337.46)</u>	\$ <u>511,333.81</u>

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION  
SCHEDULE OF DEBT SERVICE STATISTICS  
FOR THE YEAR ENDED JUNE 30, 1999

<u>Name</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Total Paid On Principal</u>	<u>Principal Outstanding June 30, 1999</u>	<u>Reserve Account</u>	<u>During the Year Ended June 30, 1999 Principal, Interest, and Agent's Fee Paid</u>	<u>During the Year Ending June 30, 2000 Principal, Interest, and Agent's Fee Payable</u>
Tennessee Technological University Dormitory Corporation (First Tennessee Trustee)	5/1/66	4.5%	\$ 3,425,000.00	\$ 2,745,000.00	\$ 680,000.00	\$ 363,741.50	\$ 197,679.59	\$ 198,887.50
Tennessee Technological University Dormitory Corporation (Series B) (Union Planters Trustee)	11/1/67	5.0%	<u>1,439,000.00</u>	<u>652,000.00</u>	<u>787,000.00</u>	<u>161,362.45</u>	<u>179,609.70</u>	<u>175,730.00</u>
Total			<u>\$ 4,864,000.00</u>	<u>\$ 3,397,000.00</u>	<u>\$ 1,467,000.00</u>	<u>\$ 525,103.95</u>	<u>\$ 377,289.29</u>	<u>\$ 374,617.50</u>